

## Examination of the Commission's Reflection Paper on Harnessing Globalisation

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### Summary

The Committee has examined the Commission's Reflection Paper on Harnessing Globalisation (COM(2017) 240) and proposes that the Riksdag take note of the Committee's Opinion.

The Committee would point to the fact that there has long been broad support in the Riksdag for the view that free trade is fundamentally positive and can lead to greater prosperity, making it an important principle worth safeguarding. It is the Committee's view that the EU must be a strong voice in favour of fair trade in the world, in order to promote sustainable development and the fulfilment of the global Sustainable Development Goals, human rights, the protection of the rights of workers and consumers, and the fight against corruption. The Committee also emphasises that EU cooperation must continue to evolve and improve in a way that respects the subsidiarity principle and does not erode the national competencies of the Member States. With respect to EU cohesion policy, the Committee takes the view that actions within the framework of the EU's Structural Fund programme may have a major role to play for competitiveness, know-how and innovation and sustainable growth, and in boosting employment, promoting employability and improving accessibility on the labour market. The Committee would also emphasise, at the same time, that the EU's budget will have to be reduced as a result of the United Kingdom's exit and that the Swedish contribution must not increase.

The Opinion contains six dissenting opinions (M, SD, C, V, L, KD)

### *Document examined*

The Commission's reflection paper on harnessing globalisation, COM(2017) 240.

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# The Committee's proposal for a decision by the Riksdag

## 1. Overall on the Commission's Reflection Paper on Harnessing Globalisation

The Riksdag takes note of the opinion in this respect.

*Dissenting opinion 1 (SD) - justification*

## 2. Globalisation and trade

The Riksdag takes note of the opinion in this respect.

*Dissenting opinion 2 (M, C, L, KD) - justification*

*Dissenting opinion 3 (SD) - justification*

## 3. Investment protection and investment dispute settlement

The Riksdag takes note of the opinion in this respect.

*Dissenting opinion 4 (M, C, L, KD) - justification*

*Dissenting opinion 5 (V) - justification*

## 4. Globalisation and the EU's Structural and Investment Funds

The Riksdag takes note of the opinion in this respect.

*Dissenting opinion 6 (SD) - justification*

Stockholm, 19 October 2017

On behalf of the Committee on Industry and Trade

*Jennie Nilsson*

The following members participated in the decision: Jennie Nilsson (S), Lars Hjalmered (M), Åsa Westlund (S), Hans Rothenberg (M), Per-Arne Håkansson (S), Josef Fransson (SD), Ann-Charlotte Hammar Johnsson (M), Mattias Jonsson (S), Penilla Gunther (KD), Anna-Caren Säterberg (S), Johan Nissinen (SD), Peter Helander (C), Lorentz Tovatt (MP), Maria Weimer (L), Håkan Svenneling (V) and Åsa Eriksson (S).<sup>1</sup>

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<sup>1</sup> Translator's note: S – Social Democratic Party, M – Moderate Party, SD – Sweden Democrats, KD – Christian Democratic Party, C – Centre Party, MP – Green Party, L – Liberal Party, V – Left Party.

## **Description of the item**

### **The item and its preparation**

On 10 May 2017, the Commission published the reflection paper “Harnessing Globalisation” (COM(2017) 240), which is one of the five reflection papers referred to in the White Paper on the Future of the EU (COM(2017) 2025) which was presented on 1 March 2017. Following consultation with the party groupings in accordance with Chapter 9, Section 20 of the Riksdag Act, the Speaker decided to refer the Commission’s paper on globalisation to the Committee on Industry and Trade for examination. The document was referred to the Committee on 31 August 2017. According to Chapter 10, Section 3(2) of the Riksdag Act, the Committee must submit an Opinion to the Chamber on EU documents referred to it.

On 14 June 2017, the Committee received the Government Offices’ Memorandum No 2016/17:FPM96, based on the reflection paper.

At its meeting on 14 September 2017, the Committee decided to give the Committee on Taxation the opportunity to express its opinion on the reflection paper on globalisation. The Committee on Taxation’s opinion (No 2017/18:SkUy4) is attached as Annex 2.

The members of the Committee on Industry and Trade were invited to the meeting of the Committee on Foreign Affairs on 28 September 2017, at which Commissioner Cecilia Malmström also participated to discuss the White Paper and the five related reflection papers.

# Scrutiny by the Committee

## The Commission's Reflection Paper on Harnessing Globalisation

### **The Committee's proposal in brief**

The Riksdag takes note of the Committee's opinion.

Please see dissenting opinions 1 (SD), 2 (M, C, L, KD), 3 (SD), 4 (M), 5 (V) and 6 (SD) and the separate declaration (V).

### **Background**

In the White Paper on the Future of the EU - Reflections and scenarios for the EU27 by 2025 (COM(2017) 2025) which was presented on 1 March 2017, the Commission stated that it intended to publish five reflection papers for key policy areas. The Reflection Paper on globalisation was adopted by the Commission on 10 May 2017.

### **The Commission's Reflection Paper**

#### *Introduction*

According to the Commission, the Reflection Paper aims to make a fair and evidence-based assessment of what globalisation means for Europe and Europeans. It describes globalisation and its positive and negative effects, and analyses the opportunities and challenges that it presents. The paper is divided into four sections: Taking stock of globalisation and its effects, Looking ahead, Europe's external response and Europe's internal response. Below, the description of the Commission's proposal for external and internal responses focuses on those parts which are within the Committee's remit.

#### *Taking stock of globalisation and its effects*

The Commission notes that globalisation and technological change are here to stay, and that the process cannot be stopped or reversed, but will instead accelerate. In the Commission's view, the most important thing is for the EU to decide how best to harness the opportunities provided by globalisation while working to combat its negative effects. In this section, the Commission describes the positive and the negative effects of globalisation: globalisation has led to greater mobility for people, more exports and improved environmental standards. Consumers have more freedom of choice and lower prices, higher living standards and more purchasing power, and globalisation has reduced poverty and boosted stability, democracy and peace. Global trade openness has boosted EU economic growth, raising prosperity and helping to keep the EU competitive. At the same time, globalisation also poses challenges. Its benefits are spread unequally among people and regions. There are differences between Europe and countries with a lower standard of living. Social, environmental, tax and other standards have been exploited by companies seeking comparative advantages. Unfair trade practices, price dumping, loopholes in international rules and differences in national tax regimes have been exploited by both companies and governments. Restructuring has resulted in business closures, job losses and depressed wages and working conditions.

Another negative effect is that citizens see globalisation as a threat to their own identity and traditions, and feel that they are not really in control of their futures.

#### *Looking ahead*

This part of the paper describes what the EU and its Member States may expect of a future with greater globalisation. The Commission notes that Europe is still in the early phase of the transformation where digitalisation, robots, artificial intelligence, the internet of things and 3D printing will revolutionise how we produce, work, move and consume. Simple and repetitive tasks that can be automated will disappear, with resulting loss of jobs. The challenge for Europe will be to innovate in strategic technologies and help workers to gain the right skills to adapt to new conditions. Digital technologies and e-commerce will further increase cross-border opportunities, but the challenges of managing privacy, data protection and cybersecurity as well as avoiding abuses of market power will increase.

The paper also emphasises the importance of combating protectionism and isolationism, which can result from

changes driven by globalisation. Closed borders make losers of everyone. More global governance and rules are needed to enable countries to jointly promote common solutions in a globalised world. Multinational institutions and rules are essential to tackle issues which require collective action, such as the global economy, climate change or tax avoidance.

### *Europe's external response*

The Commission notes that building a fair international rules-based order based on high standards requires cooperation between many countries with different interests, cultures and levels of development. It emphasises that the aim is to reconcile the means of globalisation – opening markets and technological progress – with its ends, which are the projection of rights and increased human well-being.

The Commission considers that existing multilateral organisations such as the UN, IMF and WTO need to be strengthened and reformed to provide a level playing field and continue to be part of the solution to current and future global problems and challenges. The Commission maintains that multilateral cooperation continues to be the best strategy, but notes at the same time that the EU must be ready to push ahead in cooperation with smaller coalitions where multilateral cooperation is not possible. The Commission emphasises, however, that the door must in that case be left open for other countries to join in when they are ready.

The Commission takes the 2030 Agenda for Sustainable Development as a common reference point to prioritise future efforts to benefit prosperity, the planet and people around the world, especially in developing countries.

As regards trade and investment, the EU should, in the Commission's view, continue to develop a balanced, rules-based and progressive trade and investment agenda that not only opens markets in a reciprocal way but also enhances global governance on issues such as human rights, working conditions, food safety, public health, environmental protection and animal welfare. These agreements must uphold the EU and Member States' ability to achieve legitimate public policy objectives and maintain existing EU high standards in those fields.

The Commission emphasises that timely, transparent and inclusive decision-making procedures are needed for collective international action to be effective. The EU must be able not only to negotiate broad agreements to tackle a wide range of global issues but also to ensure these agreements can be ratified and implemented. The Commission questions whether the EU's current institutional setup is well adapted to this challenge, and writes that this will be investigated following the forthcoming ruling from the European Court of Justice on competence in free trade agreements (the Singapore ruling).

The Commission states that in the interim, the EU must have the instruments at its disposal to restore a level playing field and act decisively against countries or companies that engage in unfair practices. The EU should continue to use the WTO's dispute resolution mechanism as required, and should ensure that commitments by partners in the EU's bilateral trade and investment agreements are respected. The Commission also emphasises that strong enforcement of EU rules will also ensure that all companies present or active in the EU which break the rules are effectively sanctioned. This should be done in cooperation with Member State authorities. The Commission also considers that further investments could also be made in EU customs risk management in order to facilitate and accelerate legitimate EU trade, while ensuring the safety and security of citizens by stopping fake or dangerous goods permeating EU borders.

It also states that the EU will also continue its efforts to establish fair rules for the protection of international investments while allowing governments to pursue their legitimate policy objectives. The Commission mentions its proposed Multilateral Investment Court.

The Commission also considers that result-oriented trade defence instruments are needed, and that the existing ones should be overhauled to make them faster, more resilient and more effective in tackling dumping and unfair subsidisation. The Commission also notes that the EU is the world's most open market for public procurement, but access for our companies in other countries is not always reciprocal. The Commission considers that the proposed International Procurement Instrument would address this and that swift action is necessary.

As regards openness to foreign investment, this remains a key principle for the EU and a major source of growth. The Commission notes, however, that concerns have recently been voiced about foreign investors, notably state-owned enterprises, taking over European companies with key technologies for strategic reasons, while EU investors often do not enjoy the same rights to invest in the country from which the investment originates. The Commission emphasises that these concerns need careful analysis and appropriate action.

### *Europe's internal response*

The Commission also points to the importance of a number of internal measures to build resilience to the challenges

of globalisation through better sharing of benefits and promotion of long-term competitiveness. The Commission mentions, among other things, the EU structural and investment funds, which can also help promote essential investments to improve infrastructure, innovation, or support the development of human capital and employment. The Commission emphasises that it is important that the EU remain a union of modern and active welfare states and points out that solidarity is not only one of the EU's fundamental values, but that it is also important for social cohesion in an open economy.

Major efforts are needed to make Europe a competitive and innovative economy, in the Commission's view. Therefore, concrete actions are needed at EU, Member State, regional and local level. This action should focus on investing more in the industries and workers of the future, focusing on new manufacturing technologies and related industrial (data) services. The strategy for the European Digital Single Market and innovation strategies should help European companies become global players and pick up quickly on new technological trends.

Reinforcing the Single Market involves both taking policy and enforcement actions at EU and country level and refraining from putting up new barriers, such as in the retail sector. The European Semester should continue to function as a mechanism for policy coordination in the EU, and Member States should deploy policies that enhance productivity, foster inclusiveness, and direct more of their resources towards investment in innovation, education and the long-term drivers of competitiveness.

We therefore need to target regional and local investment needs, skills gaps and regulatory obstacles to ensure that all regions can benefit from the internal market and better prepare themselves for the challenges of globalisation. Innovation clusters linking up companies, universities, start-ups, investors and local governments must be further developed and linked up across Europe. Vulnerable regions can be found across Europe, though most are located in southern, central and eastern Europe. These regions are the focus of EU policies to boost competitiveness and strengthen resilience.

### **Opinion of the Committee on Taxation**

In its opinion to the Committee on Industry and Trade (Opinion 2017/18:SkU4y), the Committee on Taxation states that combating tax avoidance and tax evasion is an important political priority which directly affects the functioning of the Single Market. It is the Committee's view that these issues can be managed *inter alia* within the framework of the Directive laying down rules against tax avoidance practices that directly affect the functioning of the internal market. It also notes that tax avoidance aspects are also closely connected with intra-group transactions in cross-border trade, and that initiatives at EU level might therefore be needed to combat this. At the same time, each Member State is competent to safeguard its social policies by levying and using tax revenues in appropriate ways. The Committee on Taxation stresses that an excessively broad application of the rules giving legislative powers to the Union will, in the long run, lead to an erosion of Member State sovereignty in terms of levying tax and retaining sufficient tax income to finance welfare policies. The Committee notes that corporate taxation is closely integrated into other parts of tax law and with the political and economic conditions in the Member States, and the Committee on Taxation considers that corporate taxation must be designed in a way that there is scope for each individual Member State to take special conditions into account in terms of business structure. Finally, the Committee would point to its previous objections in terms of the Commission's respect for the principle of subsidiarity in a number of its initiatives concerning tax avoidance and greater transparency.

### **The Government's Explanatory Memorandum**

On the basis of the reflection paper on globalisation, the Government issued an Explanatory Memorandum on 14 June 2017 (2016/17:FPM96 Reflection paper on harnessing globalisation). The Government's preliminary position, as set out in the Memorandum, is *inter alia* that the Government feels that the Paper is broadly in line with Swedish policy in terms of harnessing and managing globalisation, and that the Government is pleased to see that the proposed approach has found support in the EU. It is also the Government's view that the forthcoming discussion in the EU will allow it to promote issues that are important to Sweden.

### **Further information**

The plan is that the White Paper and the five reflection papers will be discussed at the European Council in December 2017. In the autumn of 2017, an EU consultation will be organised by the Government, to which relevant organisations will be invited to air their thoughts and views on the reflection paper. In its Memorandum 2016/17:FPM96, the Government says it intends to conduct dialogue with the Riksdag in the forthcoming work on the

White Paper.

In September 2017, the Commission presented a large number of documents dealing with the issues touched on in the five reflection papers. They concern, among other things, trade, investment, investment protection and dispute resolution, and innovation in the EU's regions.

- Innovation in Europe's regions; strategies for resilient, inclusive and sustainable growth (COM(2017) 376)
- Report on the implementation of the trade policy strategy Trade for All, delivering a progressive trade policy to harness globalisation (COM(2017) 491)
- A balanced and progressive trade policy to harness globalisation (COM(2017) 492)
- Recommendation for a Council decision authorising the opening of negotiations for a Convention establishing a multilateral court for the settlement of investment disputes (COM(2017) 493)
- Welcoming foreign direct investment while protecting fundamental interests (COM(2017) 494).
- Proposed framework for examining foreign direct investment in the European Union (COM(2017) 487).

## **The Committee's position**

### *Introduction*

Below, the Committee takes up a position on the Commission's reflection paper under the following headings: Overall discussion on the Commission's reflection paper on harnessing globalisation, Globalisation and trade, Investment protection and dispute resolution, and The EU's structural and investment funds.

### *Overall on the Commission's reflection paper on harnessing globalisation*

The Committee agrees with the Commission that cross-border challenges facing the European Member States, such as climate change and inclusive economic growth, are best managed at EU level. The Committee would emphasise, however, that EU cooperation must continue to evolve and improve in a way that respects the subsidiarity principle and does not erode the national competencies of the Member States. The Committee would stress that the Riksdag has previously pointed out that it is important to maintain respect for the MS competencies in the areas of budget, taxation and labour and social policy (Opinion 2015/16:UU4, Report 2012/13:FiU29).

The Committee would also emphasise, with reference to the Committee on Taxation's opinion 2017/18:SkU4y, that it should continue to be the responsibility of each MS to finance its social policies by levying and using tax revenue in an appropriate fashion. As the Committee on Taxation has stated, excessively broad application of the rules giving legislative powers to the Union will, in the long run, lead to an erosion of Member State sovereignty in terms of levying tax and retaining sufficient tax income to finance welfare policies. Additionally, in line with what the Taxation Committee has stated, corporate taxation must be designed in a way that allows scope for each Member State to take account of special conditions in terms of business structure.

The Committee notes that the Commission points to the negative, as well as the positive, effects of globalisation. The Committee welcomes the fact that the Commission mentions trade as a tool in a global context in which the EU continues to develop a balanced, rule-based and progressive trade and investment agenda that not only opens markets in a reciprocal way but also enhances global governance on issues such as human rights, working conditions, food safety, public health, environmental protection and animal welfare. In this context, the Committee would emphasise that there has long been broad support in the Riksdag for the view that free trade is fundamentally positive and can lead to greater prosperity, making it an important principle worth safeguarding. In the view of the Committee, Sweden and the EU should be clear voices in the WTO in favour of open and free trade. The Committee would also point out that free trade can be a strong wealth generator for the poorest countries in the world, as well as the more developed ones. Global free trade must be defended, and it is important that trade with countries outside the EU can take place on open and equal terms. The EU should also have a strong trading relationship with the UK post-Brexit.

The Committee also takes note of the many proposals submitted by the Commission in areas such as trade, investment, investment protection and dispute resolution, and innovation in the EU's regions, and which are mentioned in the paper on globalisation. The Committee will return to these proposals in other contexts.

In this context, the Committee would also point to the preparatory processes which are under way in the Committee on Finance and the Committee on Foreign Affairs on the Commission's reflection paper on the deepening of the economic and monetary union (COM(2017) 291) and on the future of EU finances (COM(2017) 358), and the paper on the future of European defence (COM(2017) 315).

Below, the Committee will go on to focus on the policy areas of the Commission paper that fall within the Committee's remit, such as trade and the EU structural and investment funds.

With reference to the above, the Committee proposes that the Riksdag take note of the Committee's opinion in this

respect.

### *Globalisation and trade*

As the Committee has already noted, free trade can be a strong wealth generator for the poorest countries in the world, as well as for more developed ones. It is in the global interest, and in Sweden's, to safeguard free trade. At the same time, it is important to say that the interests of developing countries must be particularly taken into account in such contexts. Multilateral agreements are the best way to promote free and fair international trade. As far as this is concerned, the Committee would underline that 'free' and 'fair' must go hand in hand. It is the Committee's view that the EU must be a strong voice in favour of fair trade in the world, in order to promote sustainable development and the fulfilment of the UN Sustainable Development Goals, human rights, the protection of the rights of workers and consumers, and the fight against corruption. In this context, the Committee welcomes the fact that the Commission mentions Agenda 2030 for sustainable development as a common reference point for how future action should be prioritised to best help growth, the planet and people around the globe, particularly in developing countries. As the Committee has stated previously, fair trade appears more prominently in the Commission's new trade strategy than in previous ones, which is an important step in the right direction. The Committee would point to Swedish global development policy, which lays down that all political decisions must take account of human rights, democratic participation, the fight against poverty and environmental sustainability, and the "Global Deal" which was launched in September 2016, and which is a global push for social dialogue and improved conditions in the labour market. The Global Deal should also be regarded as a contribution to the global sustainability agenda Agenda 2030, and the objective of decent working conditions and inclusive growth. The Committee would also point out that it is important that free trade deals must not lead to lower standards in terms of health, the environment, animal welfare and safety. Nor may free trade agreements lead to the erosion of social, trade union and economic rights in Sweden or the EU. Trade deals must also respect democratic decisions.

With reference to the above, the Committee proposes that the Riksdag take note of the Committee's opinion in this respect.

### *Investment protection and dispute resolution*

The Committee would state the following in response to what the Commission has to say about protection of investments. The Committee takes note of the EU's ambition to continue its efforts to establish fair rules for the protection of international investments while allowing governments to pursue their legitimate policy objectives. Generally, the Committee takes a positive view of a reformed dispute resolution mechanism. Open, clear and predictable conditions for investment are important for Sweden, jobs and prosperity. Modern investment policy must provide legal certainty, be open, and not limit the democratic decision-making processes of nation states. The Committee notes that the Commission has recently requested a negotiating mandate concerning a Multilateral Investment Court, and notes that the Riksdag parties will be able to discuss this at a later date in both this Committee and the Committee on EU Affairs. The Committee will therefore refrain from commenting on this in more detail here.

With reference to the above, the Committee proposes that the Riksdag take note of the Committee's opinion in this respect.

### *Globalisation and the EU's Structural and Investment Funds*

EU cohesion policy and the ESI funds are an important and integrated part of EU policy to achieve the goals of the Europa 2020 strategy. The different regions of Sweden, like the various regions around Europe, are faced with major and somewhat differing challenges. With respect to the EU's Structural Fund programme, the Committee takes the view that measures within the framework of the programme may have a key role to play in the future for competitiveness, know-how and innovation and sustainable growth, and to boost employment, promote employability and improve accessibility on the labour market. The Committee would also emphasise, at the same time, that the EU's budget will have to be reduced as a result of the United Kingdom's exit, and that the Swedish contribution must not increase. The Committee therefore welcomes a discussion about what the EU's joint funds are to be used for and what they should not be used for.

In this context, the Committee would also point out, as previously underlined, the importance of the ESI funds being used as efficiently as possible. The work of simplifying the administration of structural funds projects continues to be important.

With reference to the above, the Committee proposes that the Riksdag take note of the Committee's opinion in this respect.

## Dissenting opinions

### 1. Overall on the Commission's reflection paper on harnessing globalisation, paragraph 1 - justification (SD)

by Josef Fransson (SD) and Johan Nissinen (SD).

#### *Opinion*

We Sweden Democrats feel that it is time for the EU to take a step back. Not least with a view to the referendum result in the UK, it is important that the EU works to build support for its visions among ordinary people. From that point of view, we welcome the discussion on the EU's future, of which the reflection paper on globalisation forms a part.

In many contexts, the EU is held up as a guarantee for European diversity and culture. In our view, it is actually the opposite, The EU is a streamlining and slow bureaucracy. Nor has the EU functioned as a peace project. In our view, peace in Europe is due to other factors.

The European Union suffers from a number of serious shortcomings. Its budget contains large margins of error, the Commission works actively to undermine the subsidiarity principle, and the democratic deficit and lack of commitment from ordinary Europeans are striking.

The possibility of taking decisions against the wishes of individual Member States has led to quicker and deeper integration, which, combined with the lack of opportunity for diversification afforded by the Treaties, has led to the deepest fissure that has ever appeared in the European cooperation, namely Brexit. It is our view that the EU is not a sustainable platform for cooperation, but is a clear threat to its own biggest success, namely the Single Market, which now risks becoming fragmented.

In this context, we would point out what representatives of the Sweden Democrats stated during the Foreign Affairs Committee's examination of the Commission's White Paper on the future of the EU (Opinion 2016/17:UU18). For us, the only possible scenario is number 2 - that the EU should shift focus and concentrate only on the Single Market. This would in the long run enable an intergovernmental EU.

With reference to the above, we propose that the Riksdag take note of this opinion.

### 2. Globalisation and trade, paragraph 2 - justification (M, C, L, KD)

by Lars Hjälmered (M), Hans Rothenberg (M), Ann-Charlotte Hammar Johnsson (M), Penilla Gunther (KD), Peter Helander (C) and Maria Weimer (L).

#### *Opinion*

Globalisation links near with far, and change is happening at an increasing rate. The point of departure is the idea of the individual's right to freedom, human dignity and the belief in everyone's potential to develop and grow. Globalisation has major social consequences, mainly positive ones. Trade has created prosperity and has helped lift millions out of poverty. Access to capital, innovations and skills have helped bring about higher growth, not least in many developing countries. The building blocks of economic and social development are freedom of establishment, free enterprise, functioning ownership rights, and financial rules and institutions. Sweden's journey from poverty to prosperity was built on free trade and free enterprise. We think that the EU's free trade agreements should be as ambitious and comprehensive as possible. The WTO rules are coming under a lot of pressure, and so it is important to safeguard and contribute to a robust international trade system which ensures that contracts and agreements are honoured. Sweden and the EU should be active voices in the world and in the WTO to push for more, and more comprehensive, global free trade agreements. Trade, in many ways, is a tool for development, not least for the economies of less developed countries. Trade grows economies, and the citizens of developing countries have more scope for deciding their own futures. More free trade agreements make it easier to set standards for the global economy in terms of trade, respect for international law and contracts, and health and the environment. More people can benefit from an open world in which the flow of goods, capital and services is growing apace and in which prosperity is increasing. This, in turn, creates strength in unity, by using the power of prosperity to favour peace and security, as well as democracy and human rights and freedoms, which are key to global development.

With reference to the above, we propose that the Riksdag take note of this opinion.

### **3. Globalisation and trade, paragraph 2 - justification (SD)**

by Josef Fransson (SD) and Johan Nissinen (SD).

#### *Opinion*

We Sweden Democrats generally take a positive attitude towards free and open trade in goods and services. Global trade agreements, in a general sense, are a good thing. At the same time, it is important, in each case, to look at the content of the trade agreements and how they affect the Swedish and European markets. Trade agreements can therefore focus on certain regions of the globe, or take the form of bilateral or multilateral agreements, to achieve the best possible effects. We also think that interests other than purely economic ones should be taken into account, such as animal welfare, corporate social responsibility and environmental aspects (with the emphasis on reduced CO2 emissions).

We think that Sweden and the EU should act within the WTO framework to bring about open and free trade and combat protectionism. Few things would be more damaging to the Swedish economy than if the EU and its trade partners were to begin to restrict or prevent international trade, or make it more expensive. In this context, therefore, we want to emphasise the importance of a new trade agreement between the EU and the UK.

We also take a positive view of the Commission's overall trade strategy, and think that some parts of it could generate positive effects for both the European and the Swedish market. If we take account of proposals from the Commission in other areas, however, such as energy, infrastructure and growth-creating measures, we see recurring problems in terms of financing, increased use of structural funds, socioeconomic projects and constantly costly solutions and the creation of fake jobs. Despite the fact that it is often said that proposals from the EU should not generate costly effects, we can see that they in fact do. This is an extra burden on the Swedish taxpayer.

With reference to the above, we propose that the Riksdag take note of this opinion.

### **4. Investment protection and dispute resolution, paragraph 3 - justification (M)**

by Lars Hjälmstedt (M), Hans Rothenberg (M) and Ann-Charlotte Hammar Johansson (M).

#### *Opinion*

In recent years, a discussion has arisen on the best design of investment protection and dispute resolution mechanisms. It is our view that functioning dispute resolution mechanisms between states and investing companies are one of the building blocks of trade agreements, and are there for situations in which investors think they have been discriminated against, or otherwise treated unreasonably by a state. In our view, it is important that both individual countries and investing companies can feel secure in their relationship. A well-functioning dispute resolution mechanism, therefore, is in everyone's interest and is useful in making cross-border investment work. This security is important above all for SMEs and their chances of establishing themselves in international markets. We have some doubts about the proposed reformed dispute resolution models presented by the Commission. It is our view that the dispute resolution mechanism often used today in bilateral trade agreements – the ISDS clause – basically works well, even if it can probably be fine-tuned further. We would, therefore, stress how important it is that our eagerness to reform and modernise does not lead us to throw the baby out with the bathwater.

With reference to the above, we propose that the Riksdag take note of this opinion.

### **5. Investment protection and dispute resolution, paragraph 3 - justification (V)**

by Håkan Svenneling (V)

#### *Opinion*

The system of investment protection and ISDS exists in many international trade and investment agreements. It was created in the post-war era to protect investors in trade agreements with nations which lacked stable and functioning legal systems. ISDS protected companies from direct expropriation. Today, ISDS has increasingly come to function as protection from indirect expropriation. This means that it is no longer a case of protecting assets owned by companies, but rather of protecting their expected profits. This means that companies can sue countries if they consider that national legislation is preventing them from making profits. The ISDS has, therefore, become an efficient way of preventing progressive legislation, and, in the long run, is a direct threat to democracy in the countries involved. Since EU member states and their counterparts in a number of the FTAs currently being negotiated have stable and functioning legal systems, there is no reason to bring disputes to international courts, as is currently the case. It is not reasonable that trade agreements negotiated with states with functioning legal systems

should contain ISDS clauses. My view is that trade agreements negotiated with states with functioning legal systems should not contain ISDS clauses.

With reference to the above, I propose that the Riksdag take note of this opinion.

## **6. Globalisation and the EU's Structural and Investment Funds, paragraph 4 - justification (SD)**

by Josef Fransson (SD) and Johan Nissinen (SD).

### *Opinion*

As is clear from our introductory position we are critical of the EU as a project, even if we can see that there will continue to be a need in the future of some cooperation at European level, not least as concerns the Single Market. In our vision of future European cooperation, however, ESI funds are not necessary. Representatives of the Sweden Democrats in the Riksdag have previously submitted critical comments concerning the ESI funds. Not least when we see that the distribution of ESI funding is disadvantageous for Sweden. In this context, we would particularly underline our view that Sweden should not have to make a bigger net contribution to the EU budget as a result of Brexit. The only possible course of action in this area, in our view, is to reduce the EU budget.

If we cannot abolish the ESI funds and allow the Member States to decide what action they need to take, we would emphasise that it is very important that EU structural funds are used as efficiently as possible through more thorough controls, and in some cases that project payments are made once the projects are finished. This is to rectify the problems which, in our view, exist today. We also think that structural funds should only be used for projects which stimulate growth. They should not, therefore, be used to any great extent for socioeconomic projects. They should also be allocated more fairly among the Member States.

With reference to the above, we propose that the Riksdag take note of this opinion.

## Separate declarations

### **Globalisation and trade, paragraph 2 (V)**

Håkan Svenneling (V) states:

As is clear from the above, the Committee has taken note of the many different proposals submitted by the Commission in the areas of trade, investment, investment protection and dispute resolution, and innovation in the EU's regions. In this context, I would like to point to what the Left Party (V) has previously said about the EU's trade strategy. We think that it goes too far, and that there is a clear risk that important policy areas such as environmental policy, consumer rights and employment rights will suffer in order to benefit corporate interests in investing and competing. The EU needs to review a policy which puts companies and their profits ahead of democracy, the environment and workers' rights. Current trade policy puts decisions in trade agreements ahead of the right of countries to legislate and regulate. The negotiations between the EU and the USA on a new FTA (the TTIP) created concern and protests across the EU, and have been characterised by a lack of transparency and by the Commission's appearing to prioritise the interests of business more than the environment, food safety, welfare and citizen influence. This can have major negative consequences in a number of areas, such as agriculture, food safety, climate, environment, energy, public services and workers' rights. I, and the Left Party, think that this is a fundamental threat to democracy. Big business should not be allowed to dictate the terms of what legislation should apply in which countries. I think that trade policy should shift in the direction of more fairness, solidarity and environmental awareness. Trade does not currently take place on fair terms, and the profits of trade are not equitably distributed. Unfair trading terms and unequal opportunities to participate in the global economy are one of the main reasons why our world remains so unequal and that the gaps between and within countries continue to grow in many parts of the world.

ANNEX 1

**List of documents examined**

*The Commission's reflection paper on harnessing globalisation, COM(2017) 240.*

ANNEX 2

Opinion of the Committee on Taxation 2017/18:SkU4y

Examination of the Commission's Reflection Paper on Harnessing Globalisation

To the Committee on Industry and Trade

The Committee on Industry and Trade has given the Committee on Taxation until 12 October 2017 to express an opinion on the Commission reflection paper Harnessing Globalisation (COM(2017) 240) in those parts which are within the Committee's remit. In its opinion, the Committee presents overall views on such parts of the reflection paper.

# The Committee's deliberations

## The Communication

The reflection paper is the second of five published in the wake of the Commission's White Paper on the Future of the EU. In the paper, the Commission provides a background to globalisation and analyses the opportunities and challenges that it presents. It also presents action to be taken externally and internally within the EU. The conclusions emphasise that the Member States are responsible for many of the political instruments that are relevant in this context, and that effective policy at EU level must, therefore, consist of a combination of national instruments and joint EU ones.

The Commission notes, *inter alia*, that large corporations can take advantage of loopholes in international rules and shift profits to low-tax jurisdictions rather than paying taxes where they produce and sell. These strategies deprive EU governments of tax revenues and contribute to unfairness and the perception that global integration only benefits the bigger companies and well-off citizens.

The Commission also states that multilateral institutions and rules are essential to tackle issues which require collective action, such as the global economy, climate change or tax avoidance. Without them, more powerful and less scrupulous countries and companies could impose their rules and interests on weaker ones. This would run counter to the EU's founding values of cooperation, the rule of law, equal rights and solidarity upon which the EU is built.

Examples given of international solidarity are that the G20 nations, in the wake of the financial crisis, agreed a coordinated programme of support for the global economy, more powerful global rules for financial markets and to combat tax avoidance, and that Agenda 2030 for sustainable development and the UN's Sustainable Development Goals were unanimously agreed in the UN in 2015. The Commission considers, however, that more action is necessary since in some areas the rules do not provide for a level playing field or sufficiently address harmful and unfair behaviours, such as tax evasion, corruption, resource extraction, illicit financial flows, harmful government subsidies or social dumping.

We not only need to uphold the existing global rules-based order in the face of unprecedented challenges, but also to develop it further. The challenges ahead, particularly in a multipolar world, will require that we continue and strengthen economic policy coordination to ensure strong, sustainable, balanced and inclusive growth. Multilateral cooperation with our global partners remains the EU's preferred approach.

The Commission feels, therefore, that the EU should continue to take action for global tax justice and transparency. By the end of 2017, the EU will have a common list of non-cooperative jurisdictions. This will provide stronger instruments to tackle external tax avoidance and to deal with third countries that refuse to play fair. The Commission will also continue negotiating international rules that prevent companies established in third countries from avoiding direct and indirect tax obligations, thereby safeguarding Member States' tax bases.

The Commission released on 27 April a reflection paper on the social dimension of Europe (COM(2017) 206). Even if Europe already has the most equal and inclusive societies in the world, we need to continuously strengthen and adapt our policies for the future and address inequalities through fair and modern tax policies. A better distribution of the benefits of globalisation coupled with effective social protection will help people find a decent job and adapt to change.

As an example of what needs to be done to make Europe a competitive and innovative economy, the Commission refers to rules and taxation. New business models should support entrepreneurship while ensuring a level playing field. All levels of policy-making must ensure that the regulatory environment is simple and supportive to entrepreneurs, especially SMEs. This does not mean deregulation or a race to the bottom, but smart regulation. In parallel, governments must ensure that tax policy remains relevant in light of digitalisation and new business models, and that companies pay their taxes where profits are actually made.

## The Government's Explanatory Memorandum

In a preliminary Swedish standpoint (Memorandum 2016/2017:FPM96), the Government welcomes the Commission's reflection paper on harnessing globalisation, and intends to participate actively in future discussions on the future of the EU. The Government emphasises that the paper has a basically positive tone and that it underlines the importance of globalisation for the development of EU citizens' standard of living. The importance of political decisions in harnessing opportunities and managing risks is emphasised in the paper. Globalisation can be shaped. The Commission points out that it is important that the EU internally creates resilient and competitive economies and societies, and externally acts to modernise global governance and rules in a way that benefits free trade. It is important to create the conditions for inclusive growth in the EU, *inter alia* by means of responsible finance policy, greater investment, efficient employment, education and social policies, and structural reform.

Broadly, the paper is in line with Swedish policy in terms of harnessing and dealing with globalisation, and it is useful that the proposed approach has found support in the EU.

The forthcoming discussion in the EU will allow Sweden to promote issues that are important to Sweden. An information meeting ahead of an EU consultation with relevant organisations was held under the leadership of Government Minister Linde on 1 June 2017. A further EU consultation will be held in the autumn of 2017 to which all relevant organisations will be invited. The Government intends to hold a dialogue with the Riksdag in the forthcoming work on the White Paper.

### **The Committee's position**

The Committee on Taxation considers that combating tax avoidance and tax evasion is an important political priority which directly affects the functioning of the Single Market. It is the Committee's view that these issues can be managed *inter alia* within the framework of the Directive laying down rules against tax avoidance practices that directly affect the functioning of the Single Market. Tax avoidance aspects are also closely connected to intra-group cross-border transactions and so initiatives at EU level might be needed to combat this.

It is part of the national competency of each Member State to safeguard its social policies by levying and using tax revenues in appropriate ways. The Committee stresses that an excessively broad application of the rules giving legislative powers to the Union will, in the long run, lead to an erosion of Member State sovereignty in terms of levying tax and retaining sufficient tax income to finance their welfare policies.

Corporate taxation is closely integrated into other parts of tax law and the political and economic conditions in the Member States. The Committee considers that corporate taxation must be designed in a way that allows scope for each Member State to take special conditions into account in terms of business structure.

In the discussion on how EU Member States deal with globalisation, Committee would point to its previous objections in terms of the Commission's respect for the principle of subsidiarity in a number of its initiatives concerning tax avoidance and greater transparency.

Stockholm 26 September 2017

For the Committee on Taxation

*Per Åsling*

The following members participated in the decision: Per Åsling (C), Jörgen Hellman (S), Maria Malmer Stenergard (M), Maria Strömkvist (S), Helena Bouveng (M), Peter Persson (S), Olle Felten (SD), Hannah Bergstedt (S), Rasmus Ling (MP), Lotta Finstorp (M), Anna Johansson (S), David Lång (SD), Mathias Sundin (L), Momodou Jallow (V), Larry Söder (KD), Erik Ezelius (S) and Jörgen Warborn (M).